

Meeting of the
Skilled Nursing Facility Financial Solvency Advisory Board
601 North 7th Street
Sacramento, California

Minutes of the Meeting – Wednesday, June 4, 2003

MEMBERS PRESENT:

Diana Bonta
Eric M. Carlson
Blaine Hendrickson
Blenda Klutz (Director's Designee)
Melvin L. H. Matsumoto
Jeanine Meyer Rodriguez
Eddie Rowles
Joan Spicer

STAFF PRESENT:

Lisa Ellis, Management Services Technician
Marlys Huez, Senior Counsel
Barbara Jones, Special Consultant
Peter Mackler, Facilitator
MaryRose Repine, Health Program Specialist

**CALL TO ORDER, ROLL CALL, WELCOME, ADMINISTER OATH OF OFFICE,
INTRODUCTIONS AND COMMENTS:**

Legal notice having been given, the Department of Health Services Skilled Nursing Facility Financial Solvency Advisory Board was called to order at 9:45 a.m. by Peter Mackler, Facilitator. Mr. Mackler explained that the Oath of Office would be administered by the Director in the afternoon. Mr. Mackler also clarified that Item IV, Address from Director's Office, would be given by the Director. Mr. Mackler asked the Board to introduce themselves and provide comments about their experience, areas of expertise, and their expectations regarding participating on the Board.

ADMINISTRATIVE MATTERS:

FPCC Disclosure Requirements - Marlys Huez, Senior Counsel, Department of Health Services, provided information regarding the statutory responsibilities of the Board. She noted that because of these responsibilities, a determination was made that the Board members would need to fulfill disclosure requirements. It was noted that the Board has a sunset date of January 1, 2004. Whether this Board will be extended or continue to meet without statutory mandate is unclear. Ms. Huez discussed: the historical perspective of the Political Reform Act, the criteria for reporting, the time limit, and other key issues regarding filing. Clarification examples were given to assist the Members in understanding the requirements.

Bagley-Keene Open Meeting Act - Marlys Huez provided the Board with the 2003 updated version of the Act. She thoroughly discussed the Sections of the Act.

Draft Procedures Manual and Process for Adoption - MaryRose Repine, Health Program Specialist, Department of Health Services, discussed the draft Procedures Manual. She outlined how the manual was organized, and explained that items in the manual were designated as either

“statutorily mandated” or “Board Policy.” She discussed the use of Robert’s Rules of Order. The discussion and adoption of this manual will be designated as an Action Item for the next meeting.

The last agenda item for Administrative Matters (Travel Expense Reimbursement) was delayed, pending the arrival of the presenter. The Panel presentation on Licensing and Certification was substituted. Below is the summary of the Travel Expense Reimbursement discussion.

Travel Expense Reimbursement – Stephanie Fields, Manager, Department of Health Services provided the members with an overview of the reimbursement guidelines. Ms. Fields highlighted the types and payment levels of expenses that can be reimbursed, points of contact for questions, and submission criteria for claims, including when to file.

PANEL PRESENTATIONS:

Licensing and Certification – MaryRose Repine provided a presentation on the Licensing and Certification Program. Ms. Repine discussed the mission and goals of the Program. She provided statistics relative to: Program staffing, Program budget, the number of SNFs, the number of initial or change of ownership applications, the number of closures, the number of complaints, and reporting requirements. She discussed the requirements for posting a bond for patient accounts and the requirement to maintain resources to cover 45 days of operating expenses. Additionally, she discussed the financial triggers contained in Health and Safety Code Sections 1421.1 and 1421.5 that require reporting to DHS by SNFs.

Audits and Investigations – David Botelho, Manager, Department of Health Services provided an overview of financial issues from an audit perspective. Mr. Botelho discussed the annual submission of cost reports; basic ratios that are used relative to solvency issues; and financial indicators such as auditing expense reports, invoices, and the handling of patient trust accounts. He emphasized that as a result of AB 1075, the Department will be implementing a new rate methodology. He responded to questions regarding: electronic filing; audit frequencies and selection method; and bankruptcy-related auditing. Mr. Botelho will be providing additional information on ratios to the Board.

Office of Statewide Health Planning and Development (OSHDP) Data – Ty Christensen, Manager, OSHDP, explained the scope of several of OSHDP’s programs that relate to free standing SNFs. These include: the building inspection program and the Cal-Mortgage Loan Insurance Division. He stated that about 17% of the loan program, representing 35% of the \$500 million total, is loaned to SNFs. Mr. Christensen discussed the data collection efforts. He highlighted the Annual Utilization Report and the Annual Financial Disclosure Report also known as the Medi-Cal Cost Report. He explained the uniqueness of California’s reporting requirements. He explained that the timing of submissions is based on a facility’s fiscal year.

Mr. Christensen provided an example of the limitation of using the information on these reports. He highlighted a recent study in which a company owning a SNF facility would have been targeted as having the potential for experiencing financial difficulties. The weaknesses of the analysis, in this case, was that the study failed to consider the other owned connected activity, an assisted living facility. The assisted living facility’s financial condition, when considered, impacted favorably on the overall financial condition of the company under study.

He responded to questions on: auditing the provided reports, timeliness of the OHSPD report, potential use of various data items as indicators, and proposed legislation targeting the collection of additional data. Mr. Christensen clarified the OSHDP role as a data warehouse rather than a data analyzer.

Medi-Cal Rates - Mr. Lawrence Wold, Research Specialist, Department of Health Services and Ms. Nancy Hutchinson, Manager, Department of Health Services, jointly presented Medi-Cal rates. Mr. Wold presented the current rate methodology. Ms. Hutchison presented the process

for developing the new rates. Their presentation is attached as Attachment 1. In addition, they responded to questions on: the deadlines to have the new rate reimbursement methodology implemented, the process for the new methodology, the required reports to the Legislature, costs to be included in the new methodology, impact of capital improvements and the experience of other States. The Board requested a follow up presentation be made on this topic.

Mr. Darryl Nixon, a member of the public, made comments on this agenda item. Mr. Nixon expressed the support of his organization regarding changing the reporting process. He highlighted the use of on-line reporting, timeliness, automation, and ratios.

DIRECTOR'S ADDRESS AND OATH OF OFFICE:

Ms. Diana Bonta, DHS Director, provided remarks to the Board. She stressed the importance of the Board to the Department. She discussed the scope of the Board, the role of the Department, Governor Davis' Aging with Dignity Initiative and the current budget issues. The Director administered the Oath of Office to the Board.

POTENTIAL NEXT STEPS:

The Board discussed expediting the meeting schedule, the scope of work ahead and the types of presentations the Board would like for the next meeting. Staff was directed to draft potential agenda items for discussion on the room's whiteboard. Additionally, a letter prepared by staff to be sent by DHS to solicit input from interested parties on material that would assist the Board was discussed. Staff will send out the letter to the interested parties on June 5, 2003. The Board was interested in the following areas: current reports on financial solvency issues, stakeholder input, experience in other states for solvency/rate issues, licensing standards in place in other states, ways to identify facilities in trouble and when to intervene. The Board is considering the possibility of forming work groups to aid in the work plan formulation process and in completing the work of the Board. It was determined that a workshop of fewer than 5 members can form a subcommittee without the process being considered a "meeting."

BOARD ORGANIZATION:

Election of Chair and Vice Chair - A discussion was held on the election of a chair and vice chair. Ms. Joan Spicer made a motion for the election of a chair and vice chair. Mr. Melvin Matsumoto seconded the motion. The motion carried. Mr. Eric Carlson was elected Chair; and Mr. Blaine Hendrickson was elected Vice Chair.

Future Meeting Times and Locations – Due to the mandate of the Board and the time remaining for Board deliberations, the Board determined to have a meeting on August 8th in Sacramento. Tentative dates for additional meetings were scheduled as follows: October 8th in the Burbank/Ontario/Los Angeles area, and December 10th in the San Francisco/ Oakland Bay Area. Board members will check on availability of meeting facilities in their organizations.

Next meeting agenda item proposal - Staff prepared the following potential agenda items and time for the consideration of the Board. Staff was directed to proceed with the proposal.

Panel discussion consisting of discussions of three reports: Shattuck Hammond Partners' report, CMS's Market report and UCSF's report. Estimated time: 2 hours.

Presentations by other agencies: Department of Insurance regarding liability insurance issues and worker's compensation issues, 1 hour; a presentation by the Department of Managed Care, 30 minute; a presentation by the County Organized Health Systems (COHS), 30 minutes.

Two presentations on the activities in other states: A presentation on experience regarding standards/financial solvency issues, 45 minutes; and a presentation on rate setting in other states, 30 minutes.

Liability Insurance: A presentation on the DHS Legislative Report, "Liability Insurance for California Long-Term Care Providers, A Report to the California Legislature," 30 minutes.
Ratios: A return presentation by DHS Audits and Investigations on ratios, 30 minutes.
Administrative Matters: Potential Adoption of the Policy and Procedures Manual, 15 minutes.

Regrettably, the stakeholder input, to be solicited on the June 5th letter will be unavailable by the August 8th meeting.

PUBLIC COMMENT:

Mr. Joe Rodrigues, a member of the public, LTC Ombudsman, Department of Aging expressed concern about residents in LTC facilities. He highlighted concern about transfer trauma, and the importance of reducing closures of facilities.

ADJOURNMENT:

Mr. Peter Mackler paid tribute to the memory of Jennifer Sugar. The meeting was adjourned in her memory. The meeting adjourned at 3:15 p.m.